

Message Text

SECRET

PAGE 01 MANILA 07131 01 OF 02 170447Z

15

ACTION PM-07

INFO OCT-01 EA-11 ISO-00 NSC-07 SP-03 SS-20 RSC-01 CIAE-00

INR-10 NSAE-00 L-03 EB-11 AID-20 IGA-02 OMB-01 TRSE-00

ACDA-19 MC-02 PRS-01 DRC-01 NEA-14 EUR-25 /159 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4385

INFO SECDEF

CINCPAC

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S E C R E T SECTION 1 OF 2 MANILA 7131

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MASS, MARR

SUBJECT: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES--

FY 1976-80-- AN ASSESSMENT

REF: STATE 031505 DTG 152126Z FEB 74

SUMMARY: EMBASSY ASSESSMENT OF NEED FOR US SECURITY ASSISTANCE IN THE PHILIPPINES IS THAT SUCH ASSISTANCE HAS ASSURED US EFFECTIVE ACCESS TO BASE RIGHTS. THOUGH U.S. SECURITY ASSISTANCE HAS BEEN RELATIVELY SMALL- IT HAS ALSO BEEN EFFECTIVE IN INCREASING AFP MILITARY CAPABILITY. HOWEVER, ACCELERATED DELIVERY OF VARIOUS MILITARY ITEMS HAS BEEN URGENTLY REQUESTED.

THE MIX OF SECURITY ASSISTANCE HAS BEEN GOOD. RELATIVELY LITTLE GRANT AID HAS BEEN COMBINED WITH FMS AND EDA IN SUCH A WAY AS TO MEET AMANY GOP IMMEDIATE NEEDS AND ALSO BUILD UP GOP INVESTMENT INVENTORY.

BREAKTHROUGH IN GOP UTILIZATION OF FMS FOR BUILDING

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PAGE 02 MANILA 07131 01 OF 02 170447Z

COLT PLANT LIKELY TO LEAD TO SIGNIFICANTLY GREATER GOP

EFFORT TO OBTAIN FURTHER AVAILMENTS. EMBASSY ESTIMATES THAT GOP INTEREST IN FMS CASH AND CREDIT FOR US MILITARY PURCHASES TOTALS MORE THAN \$40 MILLION.

US SECURITY ASSISTANCE OBJECTIVES ARE COMPLEMENTING GOP SELF-RELIANCE OBJECTIVES AND PLAYING DYNAMIC ROLE IN ENCOURAGING FILIPINOS TO MAKE LARGER AND MORE MEANINGFUL INVESTMENTS IN THEIR OWN NATIONAL SECURITY PROGRAM. END SUMMARY.

1. NEED FOR SECURITY ASSISTANCE: MILITARY SECURITY ASSISTANCE HAS ASSURED THE US OF EFFECTIVE ACCESS TO, AND FREE USE OF MILITARY BASES, A MAJOR OBJECTIVE OF US FOREIGN POLICY TOWARD THE PHILIPPINES. US EXPENDITURE OF RELATIVELY SMALL AMOUNTS TO SUPPORT THE PHILIPPINE ARMED FORCES IS NOT AN EXPLICIT QUID PRO QUO FOR BASE RIGHTS, BUT THERE ARE IMPLICIT LINKAGES BOTH COUNTRIES ACKNOWLEDGE. IF SECURITY ASSISTANCE WERE TO CEASE OR BE DRASTICALLY REDUCED, IT IS LIKELY THE PHILIPPINES WOULD ASK RENT FOR OUR CONTINUED USE OF MILITARY BASES.

2. EFFECTIVENESS OF SECURITY ASSISTANCE: US SECURITY ASSISTANCE TO THE PHILIPPINES, NOTWITHSTANDING ITS RELATIVELY DIMINUTIVE DOLLAR VALUE, HAS BEEN EFFECTIVE TO DATE IN HELPING ACHIEVE THE PURPOSE OF MAINTAINING ACCESS TO BASE RIGHTS IN CONJUNCTION WITH OTHER FORMS OF US MILITARY AND NON-MILITARY ASSISTANCE. IN THIS CONNECTION, THE US HAS GENERALLY BEEN ABLE TO RESPOND TO GOP REQUESTS FOR ACCELERATED DELIVERIES AND TO DELIVER EXCESS DEFENSE ARTICLES, MOST NOTABLY THE SIXTEEN C-123 AIRCRAFT, SIX C-47S AND, SHORTLY, SIXTEEN T-28 FIGHTER BOMBERS.

3. THE SECURITY ASSISTANCE PROGRAM HAS ALSO BEEN ABLE TO A DEGREE TO MEET THE AFP'S REQUIREMENT TO EXPAND ITS FORCE RAPIDLY FROM 60,000 MEN TO OVER 90,000 MEN. HOWEVER, MODERN WEAPONS AND AMMUNITION TO ARM THE INCREASED NUMBER OF TROOPS AND AIRCRAFT TO PROVIDE CRITICALLY NEEDED MOBILITY ARE NOT AVAILABLE IN COUNTRY AND ACCELERATED DELIVERIES OF CREW-SERVED WEAPONS, UH-1H HELOS, LCU CRAFT AND OTHER EQUIPMENT IN SHORT SUPPLY HAVE BEEN URGENTLY REQUESTED.

SECRET

SECRET

PAGE 03 MANILA 07131 01 OF 02 170447Z

4. MARTIAL LAW HAS INCREASED THE BURDEN PLACED UPON THE AFP. IN ADDITION TO MAINTAINING PEACE AND ORDER, THE AFP ALSO HAS BEEN MADE RESPONSIBLE FOR MORE ADMINISTRATIVE FUNCTIONS OF GOVERNMENT AND SOME LIMITED FUNCTIONS OF INDUSTRY. THUS FAR THE AFP HAS ACTUALLY IMPROVED ITS EFFECTIVENESS DURING THIS TIME OF INCREASED DEMANDS UPON ITS CAPABILITIES.

5. INTER-RELATIONSHIPS AMONG VARIOUS ELEMENTS OF SECURITY ASSISTANCE: THE US SECURITY ASSISTANCE PROGRAM IN THE PHILIPPINES FOR FY 1974 WILL INCLUDE \$13.8 MILLION IN GRANT AID PLUS PCH&T, \$8.6 MILLION IN FMS CREDITS, EXCESS DEFENSE ARTICLES IN THE FORM OF A SQUADRON OF T-28 AIRCRAFT AND SIX C-47 AIRCRAFT. THE EMBASSY IS HOPEFUL ALSO THAT FURTHER EDA, PARTICULARLY F-5A AIRCRAFT, MAY ALSO BECOME AVAILABLE DURING THE COMING /FISCAL YEAR.

6. THIS MIX WILL PERMIT A RELATIVELY LIMITED AMOUNT OF GRANT AID TO BE COMBINED WITH FMS AND EDA IN SUCH A WAY AS TO MEET IMMEDIATE AND PRESSING NEEDS AND ALSO TO BUILD UP THE INVESTMENT INVENTORY. FURTHER, THE SECURITY ASSISTANCE PROGRAM FOR THE PHILIPPINES FOR FY 1975 HAS BEEN SPECIFICALLY STRUCTURED TO ENCOURAGE THE PHILIPPINE PROGRAM OF ACHIEVING MORE SELF-RELIANCE. AFP PURCHASES FOR CASH WILL INCREASE SHARPLY THIS YEAR AND WE EXPECT THIS TREND TO CONTINUE. THE EMPHASIS OF THE US TRAINING PROGRAM WILL CONTINUE TO BE ON RESOURCE MANAGEMENT AT THE NATIONAL LEVEL, AND WITH THE COMBINATION OF ENCOURAGING THE FILIPINOS TO PAY MORE OF THEIR OWN O&M COSTS AND TRAINING THEM TO MANAGE THEIR RESOURCES BETTER, WE EXPECT THE PORTION OF PHILIPPINE SELF-FINANCED DEFENSE EXPENDITURES TO INCREASE BEYOND 92 PERCENT IN FY 75.

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PAGE 01 MANILA 07131 02 OF 02 170458Z

20

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INFO OCT-01 EA-11 ISO-00 NSC-07 SP-03 SS-20 RSC-01 CIAE-00

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S E C R E T SECTION 2 OF 2 MANILA 7131

7. THE RECENT SIGNING OF THE US-RP AGREEMENT FOR THE BUILDING OF A COLT M-16 PLANT FINANCED BY A \$15.6 MILLION FMS CREDIT WAS A MAJOR MILESTONE IN THE HISTORY OF THE US SECURITY ASSISTANCE PROGRAM IN THE PHILIPPINES. IT REPRESENTS NOT ONLY A SIGNIFICANT STEP TOWARD THE REALIZATION OF THE PHILIPPINE SELF-RELIANCE PLAN, BUT ALSO, OBVIOUSLY, A BREAKTHROUGH IN PHILIPPINE UTILIZATION OF THE FMS PROGRAM. OTHER WEAPONS PRODUCTION PROJECTS CAN BE EXPECTED TO DEVELOP FROM THIS BASE. THE FILIPINOS ARE ALSO INTERESTED IN ACQUIRING C-130S TO MODERNIZE THE TRANSPORT CAPABILITY OF THE PHILIPPINES AIR FORCE. WE ESTIMATE THAT GOP INTEREST IN FMS CASH AND CREDIT FOR PURCHASES OF US MILITARY EQUIPMENT AND TECHNOLOGY TOTALS MORE THAN \$40 MILLION.

8. IN ADDITION TO THE FACT THAT GOP USE OF FMS FOR THE COLT PLANT HAS ENHANCED THE COMPLEMENTARITY OF US SECURITY ASSISTANCE OBJECTIVES WITH GOP SELF-RELIANCE OBJECTIVES, THE FMS BREAKTHROUGH HAS ALSO PLAYED A ROLE IN ENCOURAGING THE GOP TO EXPAND ITS IN-COUNTRY CAPABILITY TO PRODUCE DEFENSE ARTICLES. THE AFP HAS PURCHASED GENERAL PURPOSE VEHICLES FROM DOMESTIC CIVILIAN SOURCES AND HAS PLANS TO INCREASE PURCHASES OF LOCALLY-PRODUCED RADIOS. THE AFP HAS SOUGHT

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PAGE 02 MANILA 07131 02 OF 02 170458Z

US ASSISTANCE IN OBTAINING A LICENSE AGREEMENT TO PRODUCE THE US-DESIGNED PRC 77 RADIO THROUGH LOCAL MANUFACTURING CONCERNS.

9. THE AFP HAS ALSO TURNED TO FOREIGN SUPPLIERS OF MILITARY ARTICLES WHEN US ITEMS WERE UNAVAILABLE BECAUSE OF DELAYS IN THE US DELIVERY SYSTEM. AFP PURCHASES OF ITALIAN TRAINER AIRCRAFT AND PACK HOWITZERS, ISRAELI RADIOS, GERMAN HELICOPTERS, CHINESE AND BELGIAN AMMUNITION AND SINGAPOREAN AND JAPANESE PATROL CRAFT HAVE BEEN MADE FOR THESE REASONS.

10. IN SUM, THE INTER-RELATIONSHIPS BETWEEN THE VARIOUS ASPECTS OF THE US SECURITY ASSISTANCE PROGRAM ARE MEETING THE REQUIREMENTS OF THE OBJECTIVES OF THE PROGRAM. MOREOVER, US SECURITY ASSISTANCE TO THE PHILIPPINES IS PLAYING A DYNAMIC ROLE IN ENCOURAGING THE FILIPINOS TO MAKE LARGER AND MORE MEANINGFUL INVESTMENTS IN THEIR OWN NATIONAL SECURITY PROGRAM.

11. IMPACT OF U.S. AND OTHER AID DONORS' ECONOMIC ASSISTANCE: THE PHILIPPINES RECEIVES SUBSTANTIAL AMOUNTS OF ECONOMIC ASSISTANCE FROM THE UNITED STATES AND OTHER DONORS.

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT IS THE LARGEST DONOR TO THE PHILIPPINES, FOLLOWED BY JAPAN, UNITED STATES, THE ASIAN DEVELOPMENT BANK, THE UNITED NATIONS DEVELOPMENT FUND AND SEVERAL OTHER DEVELOPED COUNTRIES. ALTOGETHER THESE DONORS PROVIDE FROM \$225 MILLION TO \$275 MILLION ANNUALLY IN ECONOMIC ASSISTANCE TO THE PHILIPPINES WITH THE US PROVIDING LESS THAN 1/4 OF THE TOTAL. UNDER A REPARATIONS PROGRAM SCHEDULED TO EXPIRE IN 1976, JAPAN ALSO PROVIDES ABOUT 7 MILLION ANNUALLY IN EQUIPMENT DIRECTLY TO THE PHILIPPINE ARMED FORCES.

12. US MILITARY ASSISTANCE IS INADEQUATE TO MEET GROWING PHILIPPINE NEEDS FOR IMPORTS OF MILITARY GOODS. AS A RESULT, THE PHILIPPINES HAS BEEN FUNDING FROM ITS OWN FOREIGN EXCHANGE RESOURCES AN INCREASED PORTION OF ITS IMPORTS OF MILITARY EQUIPMENT AND MATERIEL. THE ECONOMIC ASSISTANCE RECEIVED BY THE PHILIPPINES IN STRENGTHENING ITS ECONOMY AND IS INCREASING ITS ABILITY TO CARRY THE BURDEN
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SECRET

PAGE 03 MANILA 07131 02 OF 02 170458Z

OF HIGHER COSTS OF MILITARY IMPORTS.

13. HOWEVER, PHILIPPINE ABILITY TO SELF-FINANCE MILITARY IMPORTS IS GROWING MORE SLOWLY THAN MILITARY IMPORT REQUIREMENTS. PHILIPPINE NEEDS FOR SECURITY ASSISTANCE ARE CONSEQUENTLY STILL GREAT. IN ADDITION, ALTHOUGH THE CONTRIBUTION OF US ECONOMIC ASSISTANCE TO PHILIPPINE MILITARY SELF-FINANCING CAPABILITIES IS WELCOME TO FILIPINOS WITH SECURITY RESPONSIBILITIES, SUCH ASSISTANCE HARDLY HAS THE IMPACT ON PHILIPPINE MILITARY NEEDS THAT DIRECT SECURITY ASSISTANCE HAS. THE LATTER PERMITS MORE EXPEDITIOUS HANDLING WITHIN THE PHILIPPINE GOVERNMENT OF PROCUREMENT REQUESTS AND ENABLES EARLIER SUPPLY OF NEEDED MATERIALS AND EQUIPMENT.

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